MAJOR LEGISLATIVE CHANGES IN HUMAN RESOURCES PROGRAMS SINCE JANUARY 1981

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Speaker Thomas P. O'Neill

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SUMMARY

In the last two years, major changes have been enacted in many of the human resources programs. These changes have affected both total program outlays and the numbers and types of families served by particular programs. This memorandum summarizes the effects of these changes, both for the budget and for families and individuals.

The focus of this analysis is the effect of program changes enacted from January 1981 through July 1983 in five major areas of the human resources budget:

- Retirement and disability programs,
- Other income security programs,
- Health care programs,
- Education and social services, and
- Employment programs.

Overall, the programs considered here account for 96 percent of human resources spending. For each area, the impacts of legislative changes on program outlays have been estimated by comparing the Congressional Budget Office's current projections with those that would have occurred under the laws in effect at the beginning of 1981. It should be noted, however, that the 1981 spending levels are not intended to represent optimal

amounts, but rather what would have occurred if no policies had been changed. Both sets of projections have been prepared using the CBO's February 1983 economic assumptions, so that the effects of legislative changes may be seen without complications introduced by changing economic factors.

In addition to summarizing the effects of changes in particular programs, this memorandum also examines the overall impact on households in different income categories of the changes in programs providing benefits for individuals. In this part of the analysis, only those changes directly affecting specific households have been included. Thus, for example, changes in such programs as Social Security and Food Stamps, which provide benefits to identifiable individuals and families in the population, have been included in the estimates, but changes in grants-in-aid to state and local governments (other than individual assistance grants) have not. Because most education aid, social services, and employment services are provided through grants to states and localities, changes in these programs are for the most part included in the first part of this study only.

To estimate the impacts of the changes in benefit programs on households in different income categories, federal benefits have been valued at the cost to the federal government of providing them, which may either exaggerate or understate their value to individuals. This is especially likely for benefits provided in kind as goods and services, rather than in cash. A

reduction in federal outlays for a health-care program, for example, may not reduce the perceived well-being of the recipients by the same amount as a reduction in cash benefits with equivalent federal savings.

In addition, the estimates of changes in benefits for households in different income categories represent averages over the entire income group. Within each category, some households will actually be affected by changes in many programs, while others will experience no changes. In fact, in all income categories many households receive no benefits. Therefore, the impacts of benefit reductions or increases on those who are affected will generally be larger than the averages for the entire income group suggest.

Further, the estimates presented here are for changes in federal spending only; they do not include the effects of the tax reductions and increases enacted over the last two years, nor do they reflect any change in state and local spending or taxes in response to the federal program changes. The federal tax reductions would raise after-tax incomes for some households in all income categories. For some income groups, particularly the higher-income ones, the tax reductions would more than offset benefit reductions, on average, while for other groups, average tax reductions would only partially offset average benefit cuts. In any event, the tax reductions would not necessarily affect the specific households whose benefits had been cut.

Finally, an important caution that applies to both parts of the study is that the estimates of projected changes in spending presented here do not include any macroeconomic impacts of either the tax or the spending changes enacted over the last two years. If the program changes taken together significantly raise the rate of economic growth and reduce unemployment, for example, then they would provide higher incomes that would to some extent offset the reductions in benefits.

The major conclusions of this study are:

- **Spending for human resources programs has been reduced, in total, by about 7 percent** relative to what it would have been under the laws existing at the beginning of 1981.

- **Reductions differ markedly by program area.** In percentage terms, they are largest for the employment programs, which have been reduced by almost 60 percent compared to what they would have been under prior law. The largest dollar savings over the 1982-1985 period will result from reductions in retirement and disability programs, other income security programs, and employment programs.

- **Reductions in benefit payments for individuals will be greatest for households with incomes below $10,000.** In 1984, for example, such households will lose an average of $430 in benefits relative to what they would have received under prior law, as compared to an average loss over all income categories of about $250.

The impacts of the legislative changes in human resources programs are outlined in the Summary Table for the major programs in each area. Federal savings resulting from reductions in retirement and disability programs, other income security programs, and employment programs are

SUMMARY TABLE. OUTLAY CHANGES IN FISCAL YEARS 1982-1985 RESULTING FROM LEGISLATIVE ACTIONS UNDERTAKEN BETWEEN JANUARY 1981 AND JULY 1983, SELECTED HUMAN RESOURCES PROGRAMS

Programs	Total Outlay Changes, 1982-1985, Resulting from Legislative Actions	
	In Billions of Dollars	As a Percent of Program Outlays a/
Retirement and Disability		
Social Security b/	-24.1	-3
Civil Service Retirement c/	-2.5	-3
Veterans' Pensions and Compensation	-0.6	-1
SSI	+1.4	+4
Other Income Security		
Unemployment Insurance	-7.8	-7
AFDC d/	-4.8	-13
Food Stamps	-7.0	-13
Child Nutrition e/	-5.2	-28
WIC f/	+0.2	+4
Housing Assistance g/	-1.8	-4
Low Income Energy Assistance	-0.7	-8
Health		
Medicare	-13.2	-5
Medicaid	-3.9	-5
Other Health Services h/	-1.4	-22
Education and Social Services		
Compensatory Education	-2.6	-17
Vocational Education	-0.6	-12
Head Start	i/	j/
Guaranteed Student Loans	-3.8	-27
Other Student Financial Assistance	-2.1	-13
Community Services Block Grant	-1.0	-39
Social Services Block Grant	-2.9	-22
Veterans' Readjustment Benefits	-0.7	-10
Employment and Training		
General Employment and Training	-7.4	-35
Job Corps	-0.1	-6
Public Service Employment	-16.9	-99
Work Incentive Program	-0.6	-33

SOURCE: Congressional Budget Office.

(Continued)

Summary Table Footnotes

a. Base used to calculate percentage changes is the CBO 1981 baseline projection for each program, adjusted for subsequent changes in economic assumptions but not for legislative changes. See text for fuller description.

b. Includes Social Security, Old Age and Survivors' Insurance (OASI) and Disability Insurance (DI) benefits. Also includes Railroad Retirement changes of $600 million in fiscal years 1982-1985.

c. Includes Civil Service Disability benefits.

d. Includes Child Support Enforcement.

e. Includes the National School Lunch Program, National School Breakfast Program, Childcare Feeding Program, Special Milk Program, and Summer Feeding Program.

f. Includes Special Supplementary Feeding Program for Women, Infants, and Children (WIC) and the Commodity Supplemental Feeding Program (CSFP).

g. Includes both subsidized housing programs and public housing operating subsidies.

h. Includes all programs previously under the Health Services Administration. Among these are three categorical programs--for family planning, migrant health, and black lung clinics--and two block grants--for primary care and maternal and child health. For technical reasons, the block grants for substance abuse and preventive care have been excluded. Funding for the excluded block grants declined by 16.1 percent between 1981 and 1982, compared to a 15.8 percent decline for the two that were included.

i. Total change of less than $50 million.

j. Total change of less than 0.5 percent.

about the same magnitude, with projected savings in 1982-1985 exceeding $25 billion in each of these areas. Total reductions in outlays for human resources programs relative to prior law are projected to be about $110 billion over the fiscal year 1982-1985 period.

The largest percentage reductions, other than those in the employment programs, are projected in the area of education and social services, outlays for which have been reduced by almost 20 percent overall relative to prior law. Projected outlays for income security programs, excluding retirement and disability programs, have been reduced by about 10 percent, while projected health-care outlays have been cut about 5 percent and projected outlays for retirement and disability programs have fallen about 3 percent overall.

Within each area, the relative size of the changes varies by program. In the employment area, for example, the Public Service Employment program was eliminated, reducing projected outlays by about $17 billion, while projected outlays for the Job Corps have been reduced by about $145 million relative to what they would have been for the 1982-1985 period--a reduction of about 6 percent. Similarly, projected outlays for child nutrition programs are about 28 percent lower than they would have been under prior law, while outlays for the Supplemental Feeding Program for Women, Infants, and Children (WIC) have been increased slightly. The only other major human resources program to experience a net increase in projected

outlays as a result of legislative action in this period is the Supplemental Security Income (SSI) program, which provides means-tested benefits for aged, disabled, and blind persons. Its outlays are projected to be about 4 percent higher than they would have been under prior law, largely as a result of a benefit increase enacted as part of the Social Security Amendments of 1983.

The changes in projected outlays will also have different effects on households with different incomes. Overall, about 40 percent of the federal savings from changes in benefit programs are projected to result from reductions affecting households with 1982 incomes of less than $10,000--who make up about 23 percent of the population--and another 30 percent will come from reductions affecting households with incomes between $10,000 and $20,000--about 25 percent of the population. Reductions in cash benefits will account for about 60 percent of the total savings from reductions in benefits for individuals, with the remainder coming from in-kind benefits.

Average reductions in benefits per household are also projected to be greater for households in the below $10,000 income category than for any other group. In 1984, for example, the average reduction in benefits going to this group is projected to be about $430, compared to an average

reduction of about $300 for those with incomes between $10,000 and $20,000. Reductions for the households in higher income categories are projected to range from $140 to $170 per household.

INTRODUCTION

This memorandum analyzes the impacts of policy changes enacted in the last two years in human resources programs serving families and individuals. The analysis focuses primarily on programs providing direct benefits for individuals; examples include Social Security, other income assistance programs, and health programs. For the most part, these programs are entitlements that provide benefits--either cash or payments for goods and services--directly to particular families and individuals who meet the programs' qualifying criteria. The study also examines the impacts of recent policy changes on spending for certain grants to state and local governments; under these programs, benefits are largely passed through non-federal governments and agencies to families and individuals within each jurisdiction. Programs of this latter type include those providing aid to elementary and secondary education, social services, and employment assistance. In all, the programs that are examined in this study account for about two-thirds of all nondefense spending. 1/

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1. The major types of domestic spending not considered in detail in this memorandum are outlays for net interest, grants to state and local governments for such purposes as local public works, natural resources programs, and local and regional development, and spending for programs in the budget category known as "other federal operations." This category includes, for example, non-grant spending for energy, transportation, and natural resource programs, spending for farm price supports and other agricultural programs, and the general administrative costs of the federal government.

For a number of reasons, the findings of this study should be viewed with care. Most of these reasons are discussed later, in the context of the analyses to which they are particularly relevant. But one point that applies to the study as a whole is that the estimates of the impact of legislative changes on program outlays shown here take into account only the immediate impacts of those changes on the programs affected and do not attempt to consider the overall macroeconomic effects of the spending reductions. Program changes that might affect recipients' behavior are taken into account, where possible, in the estimates for particular programs, if such factors would have a direct effect on program outlays--for example, if increasing beneficiaries' incentives to work would reduce the number of persons eligible for benefits. The effects on the economy as a whole of such behavioral changes, however, are not considered in this analysis. Similarly, the effects of spending reductions on economic performance in general and on other aspects of government policy cannot be estimated in a study of this type.

Further, the estimates presented here are for changes in federal spending only; they do not include the effects of the tax reductions and increases enacted over the last two years, nor do they reflect any change in state and local spending or taxes in response to the federal program changes. The federal tax reductions would raise after-tax incomes for some households in all income categories. For some income groups, particularly

the higher-income ones, the tax reductions would more than offset benefit reductions, on average, while for other groups, average tax reductions would only partially offset average benefit cuts. In any event, the tax reductions would not necessarily affect the specific households whose benefits had been cut. In addition, state and local governments, or private charities, may replace some of the benefits that would have been federally provided under prior law. On the other hand, many states are already facing considerable fiscal pressures, and some may increase taxes or reduce spending for benefits, thus compounding the effects of the benefit reductions discussed in this study.

This analysis is presented in four major parts. The first section summarizes the impact of both economic and legislative changes on the budget as a whole over the last two years. The second part describes projected domestic spending by area and outlines the impacts of recently enacted legislative changes. The third section analyzes these changes for the major human resources programs and examines their impacts on federal outlays. To the extent possible, the section also describes the numbers and types of recipients affected in each program and the impacts of changes across programs. The final part of this study discusses the overall distributional impact of the policy changes on families in different income categories. This section concentrates on changes in federal expenditures for benefits that directly affect household resources--for the most part, changes in entitlement programs.

SECTION I. AGGREGATE IMPACTS OF RECENT ECONOMIC AND LEGISLATIVE CHANGES

Projected federal outlays have changed considerably over the past two years. These differences result from both economic and legislative factors, as shown in Table 1, which compares the baseline outlay projections prepared by the CBO in July 1981 and in February 1983. 1/ These baseline projections are designed to show what would happen to the federal budget if the policies in place when the estimates were prepared were continued into the future. This is not equivalent to assuming that there would be no new Congressional action. Without new legislation, spending programs requiring annual appropriations would quickly wither away because of the lack of funding; many other programs would disappear later, as their authorizing legislation expired. The baseline projections assume that the Congress would take action as needed to continue the policies embodied in the current legislation, including the maintenance of real resource levels to keep pace with inflation. It is important to note, however, that such a baseline does not represent an optimal level of spending, but rather what would have occurred if all policies had remained the same. 2/

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1. Unless otherwise noted, all years cited in this study are fiscal years.

2. This discussion of the CBO baseline projections is taken from the CBO report Baseline Budget Projections for Fiscal Years 1984-1988 (February 1983), which provides more information on the construction of baseline projections.

TABLE 1. DIFFERENCES BETWEEN CBO BASELINE OUTLAY PROJECTIONS PREPARED IN 1981 AND IN 1983 (By fiscal year, in billions of dollars)

	1983	1984	1985
1981 Baseline a/	792	843	895
Differences Due to:			
Changed Economic Outlook	15	4	5
Technical Estimating Differences	22	22	23
Legislative Actions	-29	-19	7
Defense Increases	15	27	47
Non-defense Discretionary Reductions	-26	-26	-25
Entitlement Reductions	-21	-31	-33
Effects of Legislative Actions on Interest Costs	3	10	19
February 1983 Baseline b/	800	850	929

SOURCE: Congressional Budget Office, Baseline Budget Projections for Fiscal Years 1984-1988 (February 1983).

a. The 1981 baseline projections were developed in July 1981 based on Congressional actions through the end of the 96th Congress. The 1981 baseline projections used the economic assumptions of the first budget resolution for fiscal year 1982.

b. The 1983 baseline projections were prepared in February 1983 and include the actions of the 97th Congress. The 1983 baseline projections were developed using an updated CBO economic forecast and extrapolation. The 1983 baseline does not reflect changes enacted since January 1983, and is therefore not directly comparable to 1983 baseline estimates for individual programs shown elsewhere in this memorandum.

As Table 1 shows, baseline projections of total budget outlays differed relatively little between July 1981 and February 1983, but this resulted from several offsetting factors. First, changes in the economic outlook increased projected spending for some programs and reduced it for others. The recession of 1981-1982--unforeseen in the baseline assumptions of July 1981--caused outlays to rise for unemployment insurance, food stamps, and other programs sensitive to unemployment rates. In addition, the loss of tax revenues brought about by the recession increased deficits and therefore indirectly increased interest costs. These increases were to some extent offset, however, by lower than expected price increases, which slowed the growth of indexed benefit programs and reduced the outlay increases needed to keep discretionary programs constant in real terms.

Second, technical estimating differences increased net outlays projected in 1983 compared with the 1981 baseline by about $20 billion per year. These consisted primarily of unexpectedly higher outlays for farm price supports and Medicare benefits and lower receipts from offshore oil leases.

Third, legislated reductions in entitlement programs and in nondefense discretionary spending reduced projected outlays in all years, but planned increases in defense spending and the indirect effects of legislative changes on interest costs--through higher deficits--drove up outlays. In 1983 and

1984, the projected spending reductions resulting from legislative changes are greater than the spending increases, but this situation is reversed in 1985, as the defense buildup gathers momentum and interest costs mount.

The effect of all these changes on the composition of projected federal spending is shown in Table 2. By 1985, total outlays are $34 billion (or 3 percent) higher in the February 1983 projection than in the baseline of two years earlier. Spending for national defense and net interest are $39 billion and $45 billion higher, respectively, while entitlements and nondefense discretionary spending are $12 billion and $38 billion lower.

The remainder of this paper details the effects of legislated changes during the past two years on individual federal programs. It compares baseline outlay projections under current law (as of July 1983) with estimates of what spending levels for each program would have been under the laws in effect in January 1981. Both sets of projections use the CBO's February 1983 economic assumptions to allow the effects of legislative changes to be seen without the complications introduced by differences in economic factors. For each of the spending programs, the estimates of the legislative changes, though based on the economic assumptions used for CBO's February projections report, also include legislative changes enacted since February, such as the recent Social Security Amendments. (The

TABLE 2. DIFFERENCES BETWEEN JULY 1981 AND FEBRUARY 1983 BASELINE OUTLAY PROJECTIONS BY MAJOR SPENDING CATEGORY (By fiscal year, in billions of dollars)

	1983	1984	1985
	July 1981 Projection		
National Defense	204	222	239
Entitlements and Other Mandatory Spending	372	399	430
Nondefense Discretionary Spending	178	188	200
Net Interest	70	67	62
Offsetting Receipts	-30	-33	-37
Total	792	843	895
	February 1983 Projection		
National Defense	213	242	278
Entitlements and Other Mandatory Spending	386	394	418
Nondefense Discretionary Spending	145	153	162
Net Interest	87	96	107
Offsetting Receipts	-32	-34	-36
Total	800	850	929
	Difference		
National Defense	10	20	39
Entitlements and Other Mandatory Spending	14	-6	-12
Nondefense Discretionary Spending	-32	-35	-38
Net Interest	17	29	45
Offsetting Receipts	-1	a/	1
Total	7	7	34

SOURCE: Congressional Budget Office.

a. Less than $500 million.

aggregate figures shown in Tables 1 and 2 were published in February and, of course, do not reflect subsequent legislative changes.)

Using the same economic assumptions to estimate spending under the policies in effect 1981 and 1983 isolates the impact of legislative actions by removing the effects of changes in economic factors. Estimates of the impact of legislative actions, however, would vary somewhat depending on the specific economic assumptions used. Because of the recession that started in the third quarter of 1981, income levels are lower and unemployment rates are higher under the February 1983 assumptions than under those used earlier to prepare the 1981 projections. Assumed inflation rates, which affect projected cost-of-living adjustments (COLAs) for benefit levels, are also lower than those used in 1981. Therefore, estimates of the impacts of legislative changes presented here are somewhat different from the estimates of projected impacts that would have resulted if, for example, the assumptions used in January 1981 had been chosen as the analytic basis instead. Similarly, if the recovery now under way proceeds faster than the CBO projected in February--as now seems likely, at least in the short term--both revenue and outlay estimates would be affected. 3/ The impact of using different economic assumptions on the estimated changes in outlays

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3. For discussion of the most recent CBO economic forecase, see Congressional Budget Office, The Economic and Budget Outlook: An Update (August 1983).

resulting from legislative actions would be small, however, unless the differences in assumptions were extreme. 4/

Although the net impact of both economic factors and legislative actions has been small for projected outlays as a whole, their effect has been very large for some specific programs, because of the major shifts in spending priorities within the budget in the last two years. In addition, changes in economic assumptions affect some types of programs more than others. Spending for entitlement programs such as Social Security and Unemployment Insurance, for example, depends not only on program rules but also on the number of qualifying individuals who apply for benefits, and as a result, outlays tend to rise in periods of high unemployment when more people apply. The next section outlines the impact of these factors on the composition of federal outlays and then summarizes the effects of legislative changes on programs serving families and individuals.

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4. Outlay projections for human resource programs are generally less sensitive to changes in unemployment, inflation, and economic growth than are projections of interest outlays and revenues. See Congressional Budget Office, The Economic and Budget Outlook: An Update (September 1982), Appendix B.

SECTION II. FEDERAL SPENDING FOR PROGRAMS SERVING FAMILIES AND INDIVIDUALS

In the last two years, a number of major changes have been enacted in domestic spending programs, as a result of which the proportion of total federal resources going to those programs is lower than it would have been otherwise. This reduction has been to some extent offset, however, by increased spending in many of these programs caused by rising unemployment and other economic factors. Thus, the proportion of the total federal budget going to programs providing benefits for individuals--which grew from about 32 percent in 1970 to about 47 percent in 1980--has remained almost constant since then. If grants to states and localities for education, social services, and employment programs as well as direct benefit payments for individuals are considered among those programs directly serving families, then spending for this purpose accounts for about half of the total federal budget in 1983 (see Table 3).

This memorandum focuses on changes in five areas that, together, account for about one-half of the total federal budget and just over two-thirds of total nondefense spending. The expenditures considered here include almost all outlays for programs directly affecting families and individuals. These areas are:

- Retirement and disability programs,

TABLE 3. COMPOSITION OF FEDERAL OUTLAYS, FISCAL YEARS 1982-1985

	1982	1983	1984	1985
	In Percents			
Benefit Payments for Individuals	47.9	48.3	47.5	46.3
Retirement and Disability Programs a/	24.9	24.8	24.9	24.3
Other Income Security	11.1	11.6	10.2	9.4
Health	10.7	10.9	11.5	11.8
Higher Education	1.1	1.0	0.9	0.9
Grants to State and Local Governments b/	6.5	6.1	6.1	5.9
Education, Employment and Social Services	2.3	2.1	2.0	1.9
Other	4.3	4.0	4.1	4.0
National Defense	25.7	26.7	28.5	29.9
Net Interest	11.6	10.9	11.2	11.6
Other Federal Operations	8.3	8.0	6.8	6.3
	In billions of dollars			
Total Outlays	728	800	850	929

SOURCE: Congressional Budget Office, based on February 1983 baseline budget projections.

NOTE: Components may not sum to totals because of rounding.

a. Excludes military retirement which is shown in national defense.

b. Excludes individual assistance grants, which are included in benefit payments for individuals.

- Other income security programs,
- Health programs,
- Education and social services, and
- Employment programs.

CHANGES IN THE COMPOSITION OF FEDERAL OUTLAYS

Overall spending for programs serving families and individuals has changed very little as a percentage of the federal budget over the last two years, and is not projected to change appreciably as a proportion of total outlays through 1985. The pattern differs across program areas, however. Federal spending for retirement and disability programs--for the most part, Social Security--was about 24 percent of total outlays in 1980, and it is projected to remain at that level through 1985. Spending for other income security programs accounted for just over 11 percent of the federal budget in both 1980 and 1982, but is projected to decline to slightly above 9 percent by 1985. Federal spending for health-care programs, by contrast, is projected to rise from 11 percent of total outlays in 1980 and 1982 to about 12 percent in 1985, largely as a result of rising hospital and other health-care costs. Spending for education (including higher education), social services, and employment programs together declined from almost 6 percent of total spending in 1980 to just over 3 percent in 1982. Moreover, the decline in the proportion of total outlays going to education, social

services, and unemployment is projected to continued, although at a slower rate, through 1985.

IMPACT OF RECENT LEGISLATIVE CHANGES IN HUMAN RESOURCES PROGRAMS

Shifts in spending levels for different groups of programs within the budget result from legislative, economic, and technical estimating factors. As indicated in Section I, the CBO has prepared estimates of what spending for human resources programs would have been under the laws in effect in January 1981, but using the economic and technical assumptions of February 1983. By comparing these estimates with current baseline projections, it is possible to calculate the total impact for each program of legislative changes enacted between 1981 and 1983. These legislative changes are summarized for the major human resources programs in Table 4. (Because of data limitations, this memorandum does not consider every human resource program, but the programs included here represent 96 percent of projected outlays for human resources in 1983.)

As Table 4 shows, outlays for virtually all of the major programs serving families and individuals are lower than they would have been under 1981 law. Across all of the human resources programs considered here, the reductions average about 7 percent. The only programs not reduced relative to the 1981 baseline are the Supplementary Feeding Program for Women,

TABLE 4. OUTLAY CHANGES IN FISCAL YEARS 1982-1985 RESULTING FROM LEGISLATIVE ACTIONS UNDERTAKEN SINCE JANUARY 1981, FOR SELECTED HUMAN RESOURCES PROGRAMS (In millions of dollars)

Programs	1982	1983	1984	1985	Total, 1982-85	Legislative Changes as a Percent of Program Outlays a/
Retirement and Disability						
Social Security b/	-1,900	-4,602	-8,278	-9,299	-24,079	-3
Civil Service Retirement c/	-440	-576	-683	-850	-2,549	-3
Veterans' Pensions and Compensation	-2	-159	-199	-212	-572	-1
SSI	+32	+73	+582	+732	+1,419	+4
Other Income Security						
Unemployment Insurance	-1,000	+3,000	-4,500	-5,250	-7,750	-7
AFDC d/	-875	-1,222	-1,288	-1,377	-4,762	-13
Food Stamps	-1,535	-1,343	-2,031	-2,061	-6,970	-13
Child Nutrition e/	-1,026	-1,305	-1,392	-1,444	-5,167	-28
WIC f/	-48	+113	+77	+49	+191	+4
Housing Assistance g/	0	+107	-452	-1,420	-1,765	-4
Low Income Energy Assistance	-127	-160	-194	-232	-713	-8
Health						
Medicare	-550	-2,900	-4,150	-5,550	-13,150	-5
Medicaid	-866	-1,026	-1,336	-687	-3,915	-5
Other Health Services h/	-77	-238	-467	-587	-1,369	-22
Education and Social Services						
Compensatory Education	-370	-701	-799	-776	-2,646	-17
Head Start	+14	-5	-10	-10	-11	i/
Vocational Education	-102	-172	-161	-158	-593	-12
GSLs	-275	-787	-1,170	-1,570	-3,802	-27
Student Financial Assistance	-320	-430	-664	-720	-2,134	-13
Community Services Block Grant	-216	-247	-261	-286	-1,010	-39
Social Services Block Grant	-699	-642	-699	-817	-2,857	-22
Veterans' Readjustment Benefits	-225	-175	-150	-105	-655	-10

(Continued)

Table 4 (continued)

Programs	1982	1983	1984	1985	Total, 1982-85	Legislative Changes as a Percent of Program Outlays a/
Employment and Training						
General Employment and Training	-1,260	-1,956	-2,011	-2,195	-7,422	-35
Job Corps	-13	-21	-51	-60	-145	-6
Public Service Employment	-3,760	-4,142	-4,458	-4,587	-16,947	-99
Work Incentive Program	-100	-142	-153	-161	-556	-33

SOURCE: Congressional Budget Office.

a. Base used to calculate percentage changes is the CBO 1981 baseline projection for each program, adjusted for subsequent changes in economic assumptions but not for legislative changes. See text for fuller description.

b. Includes Social Security Old Age and Survivors' Insurance (OASI) and Disability Insurance (DI) benefits. Also includes Railroad Retirement changes of $300 million in 1982 and $100 million each in 1983, 1984, and 1985.

c. Includes Civil Service Disability benefits.

d. Includes Child Support Enforcement.

e. Includes the National School Lunch Program, National School Breakfast Program, Childcare Feeding Program, Special Milk Program, and Summer Feeding Program.

f. Includes Special Supplementary Feeding Program for Women, Infants, and Children (WIC) and the Commodity Supplemental Feeding Program (CSFP).

g. Includes both subsidized housing programs and public housing operating subsidies.

h. Includes all programs previously under the Health Services Administration. Among these are three categorical programs, for family planning, migrant health, and black lung clinics, and two block grants, for primary care and maternal and child health. For technical reasons, the block grants for substance abuse and preventive care have been excluded. Funding for the excluded block grants declined by 16.1 percent between 1981 and 1982, compared to a 15.8 percent decline for the two that were included.

i. Less than 0.5 percent.

Infants, and Children (WIC) and the Supplemental Security Income (SSI) program. The first of these programs, which had total outlays of about $930 million in 1982, received $100 million in additional funding as a result of the recently passed Emergency Jobs Appropriation Act (P.L. 98-8), which is expected to increase outlays by $70 million and $30 million in 1983 and 1984, respectively. Benefits for SSI, a program with outlays of about $7.7 billion in 1982 that provides cash benefits to low-income elderly and disabled persons, were increased about 4 percent under the Social Security Amendments of 1983. 1/

Aside from these two programs, however, the reductions in human resources programs have been widespread, although some areas have been more affected than others. For example, projected 1982-1985 outlays for the retirement and disability programs have been reduced by about 3 percent, while those for employment programs have been cut by almost 60 percent. Percentage reductions in the other categories are between these extremes--about 18 percent for education and social services, about 10 percent overall for the "other income security" category, and about 5 percent in total for health-care programs.

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1. SSI outlays also rose slightly in 1982, as a result of benefit reductions in Social Security that caused small offsetting increases in SSI benefits for some recipients of benefits under both programs.

Much of the reduction in funding for employment programs results from the elimination of the Public Service Employment (PSE) program under the Omnibus Budget Reconciliation Act of 1981 (OBRA). This elimination reduced total expenditures for employment programs by almost $17 billion over the years 1982-1985 relative to what they would have been under the 1981 baseline. Other employment and training expenditures have also been substantially reduced--by a third or more in some programs--although additional funds were appropriated for employment programs under the Emergency Jobs Appropriation Act.

Social services programs have also experienced large reductions. The social services block grant, for example, is funded at a level 22 percent lower than the adjusted 1981 baseline projection for the programs it replaced, while the community services block grant is funded at about 39 percent less than the revised 1981 baseline estimate for the Community Services Administration programs it replaced.

Reductions in education programs have been almost as large. While it is difficult to forecast what the rate of applications for student loans would have been without program changes, legislative changes in the guaranteed student loan (GSL) program have reduced projected outlays by approximately 27 percent, for example. Similarly, funding for grants to college students under means-tested student financial assistance programs--

principally, Pell Grants--has been reduced by about 13 percent. Programs serving elementary and secondary school students have also been affected; funding for compensatory education for disadvantaged students has been reduced by about 17 percent as a result of legislative changes, for example.

Although there were substantial reductions in some income security programs as a result of the legislative changes of the last few years, these changes on average have not been as large in percentage terms as the reductions in employment, social services, and education programs. In general, projected outlays for the means-tested income security programs, particularly those serving primarily a non-elderly population, have been reduced by a larger percentage than expenditures in the non-means-tested and retirement programs. In percentage terms, the largest reductions in this area--about 28 percent of outlays--took place in the child nutrition programs, which provide subsidies for school lunches and other meals for children. The Aid to Families with Dependent Children (AFDC) and Food Stamp programs were each reduced by about 13 percent as a result of program changes that restricted eligibility and lowered benefits for some recipients. Unemployment Insurance (UI) benefits were also reduced overall for the projection period, largely as a result of changes in the rules governing the provision of benefits after 26 weeks. Special Federal Supplemental Compensation (FSC) benefits were granted for UI recipients in

1983, however, increasing outlays for UI in 1983 by $3 billion compared to what they would have been under the revised 1981 baseline.

The health-care area experienced smaller reductions overall as a result of the legislative changes. The two biggest programs, Medicare and Medicaid, were each reduced by about 5 percent relative to the revised 1981 baseline. These changes generally affected hospitals, other health care providers, and states more than beneficiaries. Outlays for health services previously funded under the Health Services Administration, however, are about 22 percent below the revised 1981 baseline estimates.

Finally, the retirement and disability programs experienced the smallest percentage reductions, as a group, of those considered in this memorandum. Since total outlays for these programs, especially Social Security, are so large, however, the dollar amounts of the reductions in this area are as large as those in employment programs. Both Social Security and Civil Service Retirement (CSR) were reduced by about 3 percent relative to the revised 1981 baseline estimates, and the veterans' compensation and pension programs, which provide benefits for disabled veterans and for low-income elderly and disabled veterans respectively, were reduced by a total of about 1 percent. In spite of these small percentage reductions, however, net savings as a result of legislative changes in this area total nearly $26 billion over the years 1982-1985.

In considering the impacts of the legislative actions outlined above, it is important to bear in mind that the estimates shown here represent only the total differences between the revised 1981 baseline and the current baseline for each program or set of programs. In some cases, these differences may result from several sets of legislative changes, which may have had offsetting effects. Also, the 1981 baseline is simply an estimate of what total spending for each program would have been under the laws that existed in 1981; it does not in any sense represent an optimal spending level for these programs. To understand better the impacts of the program modifications enacted in the last two years on families and individuals, these changes are considered in more detail in the next section.

SECTION III. ANALYSIS OF CHANGES IN HUMAN RESOURCES PROGRAMS

Although legislative actions reduced projected outlays for almost all of the major human resources programs in the last two years, the sizes of the reductions varied considerably by program area, as Section II discussed. Within areas, too, there are some important differences in the program changes and in their impact on families and individuals. This section outlines the specific changes enacted in each of the major programs in five areas of the human resources budget. 1/

RETIREMENT AND DISABILITY PROGRAMS

Although the reductions enacted in retirement and disability programs were small in percentage terms, these programs account for nearly 60 percent of human resources spending considered here, and consequently even relatively small changes can generate large savings. 2/ Total spending

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1. Much of the discussion of individual program changes is based on information provided in Congressional Research Service, "Major Human Resources Programs: Summary and Analysis of Program and Funding Changes, FY 1970 to FY 1984" Report No. 83-77 EPW (March 25, 1983).

2. Because of data limitations, this memorandum does not consider every human resource program, but the programs included represent 96 percent of projected outlays for human resources in 1983.

for these programs was reduced by almost $26 billion for 1982-1985, accounting for almost one-fourth of the savings generated in the human resources programs considered here. Spending was reduced for all major programs except for SSI, in which outlays are projected to increase by about $1.4 billion during the period, primarily as a result of SSI benefit increases enacted as part of the Social Security Amendments of 1983. Table 5 summarizes both outlay projections and percentage changes relative to the revised 1981 baseline for retirement and disability programs. Details of the changes for each of the programs shown in Table 5 are presented below.

Social Security

Social Security is the largest of the human resources programs. In 1982, more than $154 billion was spent to provide cash benefits to about 36 million retirees, disabled persons, and their dependents and survivors. Social Security cash benefits are funded through two trust funds--the Old Age and Survivors Insurance (OASI) fund and the Disability Insurance (DI) fund. Taxes paid by workers in jobs covered by the Social Security system and their employers are deposited in the Social Security trust funds, and these funds are then used to pay benefits to current beneficiaries.

TABLE 5. RETIREMENT AND DISABILITY PROGRAMS--CURRENT BASELINE SPENDING PROJECTIONS AND PERCENTAGE CHANGES IN OUTLAYS AS A RESULT OF LEGISLATIVE ACTIONS, FISCAL YEARS 1982-1985

Programs	Outlays (in billions of dollars) [a]				Total,
	1982	1983	1984	1985	1982-1985
Social Security	154.1	169.8	179.9	191.4	695.2
Railroad Retirement	5.7	6.8	7.5	7.1	27.2
Civil Service Retirement	19.4	21.1	22.6	24.2	87.2
Veterans' Compensation	9.3	9.9	10.2	10.6	40.0
Veterans' Pensions	3.9	3.9	3.8	3.7	15.2
SSI	7.7	8.7	8.0	8.8	33.3
	Percentage Change in Outlays as a Result of Legislative Action Since 1981 [b]				
Social Security	-1.0	-2.6	-4.4	-4.6	-3.3
Railroad Retirement	-5.0	-1.4	-1.3	-1.4	-2.2
Civil Service Retirement	-2.2	-2.7	-2.9	-3.4	-2.8
Veterans' Compensation	[c]	-1.0	-1.0	-1.0	-0.8
Veterans' Pensions	--	-1.5	-2.5	-2.8	-1.7
SSI	+0.4	+0.8	+7.8	+9.0	+4.5

SOURCE: Congressional Budget Office.

NOTE: Components may not sum to totals because of rounding.

a. Reflects legislative changes made before July 31, 1983. Based on February 1983 economic assumptions.

b. The 1981 baseline, revised to reflect February 1983 economic assumptions, is used as the base for computing percentage changes.

c. Less than 0.05 percent.

Recently, however, outlays from the trust funds have exceeded their revenues. 3/ This has occurred as a result of several factors, including slow growth in wages during the recession and relatively rapid increases in benefits attributable both to the index used to adjust for changes in the cost of living and to high rates of inflation between 1978 and 1981. The trust funds had some reserves, which allowed them to continue to pay benefits even though outlays exceeded revenues, but without benefit cuts or additional income, the trust funds would have been unable to pay all benefits on time by the end of this year. The Social Security Amendments of 1983 were enacted to maintain the solvency of the funds.

The major change in Social Security outlays under the amendments is a six month delay in the COLA for Social Security benefits. Under the new law, COLAs will be payable in January instead of the preceding July, as they had been previously. This delay is projected to save about $9.7 billion in Social Security outlays between 1983 and 1985.

In addition, the amendments contained a number of provisions aimed at increasing trust fund revenues. These included an increase in the OASDI payroll tax for 1984 (with the employees'--but not the employers'--shares

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3. For further discussion of Social Security financing, see CBO, Financing Social Security: Issues and Options for the Long Run (November 1982) and Paying for Social Security: Funding Options for the Near Term (February 1981).

entirely offset by an equal credit against taxes); an increase in the OASDI tax rate for self-employed workers (also partially offset by a tax credit); taxation of 50 percent of the Social Security benefits received by married couples with incomes over $32,000 and by single persons with incomes over $25,000; 4/ and coverage of employees of not-for-profit organizations and new federal employees under the Social Security system. In all, the revenue provisions are projected to increase income to the OASI and DI trust funds by almost $40 billion in 1983-1985.

Some Social Security changes were also included in the Omnibus Budget Reconciliation Act (OBRA) of 1981. Under that act, benefits would have been reduced by eliminating the minimum benefit (received by those whose primary insurance amount was not more than $122 per month); phasing out benefits for dependents aged 18-22 who previously would have qualified for student benefits; modifying the provision of lump-sum death benefits; delaying the payment of benefits for new beneficiaries until their first full month of eligibility; eliminating benefits for widowed parents under age 60 when their youngest child reaches age 16 (rather than 18, as under prior law); and changing rounding rules for benefits. The last five of these provisions were enacted and remain law, but the minimum benefit was

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4. One half of recipients' Social Security benefits would be counted in income for the purpose of determining their tax liabilities. In the sense that this tax would directly offset benefits, it could be considered the equivalent of a benefit cut.

restored for current recipients under the Social Security Amendments of 1981. Nevertheless, the provisions that were enacted resulted in projected outlay savings of about $14 billion for the 1982-1985 period.

Civil Service Retirement

The Civil Service Retirement (CSR) system is the staff retirement and disability program for roughly 2.1 million federal civilian employees. 5/ In 1982, the system received $8.3 billion in contributions from these employees and their agencies, and it spent $19.4 billion, providing benefits to 1.8 million annuitants. Employees completing at least five years of federal employment may receive benefits, provided they meet certain eligibility criteria for retirement or disability and have made the required contributions.

Legislation enacted in 1981 and 1982 is estimated to have reduced CSR outlays by $2.5 billion over the 1982-1985 period. Although some savings resulted from such changes as rounding down benefits to the nearest dollar, paying benefits beginning with the first full month of retirement, and restricting early retirement benefits, modifications in the way benefits are indexed provided the bulk of the spending reductions. In 1981, the semi-annual COLAs that took place under prior law were replaced with COLAs that occurred only once a year, in March. The 1982 legislation delayed the

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5. In addition, there are about 600,000 postal workers covered under CSR.

COLA an additional month in each of 1983, 1984, and 1985, so that the 1985 COLA is scheduled for June of that year. Moreover, COLAs for retired annuitants under age 62 were limited to one-half of the full benefit increase. This change was effected, however, by setting the increases at one-half of the COLAs projected at that time, with the result that rates of 3.3 percent, 3.6 percent, and 3.3 percent were established for the 1983-1985 COLAs of early retirees. 6/

Railroad Retirement

The Railroad Retirement System is a federally mandated retirement system that covers railroad industry employees. At present, about 1 million persons receive railroad retirement benefits. Benefits are provided under a two-tier system--the first tier approximates a Social Security benefit, and the second tier is similar to an employer-provided pension. Benefits are funded through a trust fund and are paid for out of taxes collected from employers and employees in the railroad industry. In addition, benefits falling under a special provision covering those with entitlement to both Social Security and Railroad Retirement benefits before 1975 are funded out of general federal revenues.

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6. If the actual full COLA exceeded the levels projected in 1982, however, any excess would be paid to early retirees. For example, if the 1984 increase were 8.0 percent rather than the then-projected 7.2 percent, the increases for early retirees would be 4.4 percent rather than 3.6 percent.

Railroad Retirement benefit payments have exceeded income to the system for more than a decade, thus diminishing its reserves. Several changes were made in 1981 to increase the solvency of the system. These included an increase in taxes paid by railroad employers and employees that is projected to generate $2.0 billion in additional revenues between 1982 and 1985, and a modification to benefits that will reduce outlays by about $600 million. 7/

Veterans' Compensation

The Veterans' Compensation program provides benefits to veterans or their survivors for service-connected disabilities or death, and the amount of the benefit payment varies with the degree of disability. There are about 2.3 million veterans receiving benefits, which range from $62 per month for veterans with a 10 percent disability rating, to $1,213 for those with a 100 percent disability. 8/ Veterans who are at least 30 percent disabled also may be eligible for additional benefits if they have dependents. Benefits are not means tested.

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7. Changes enacted in August 1983 are not described here and are not reflected in the estimates of the impacts of legislative actions.

8. Higher benefits are provided to some veterans with certain service-connected disabilities.

Technical changes that slightly reduced benefit levels were enacted in the Veterans' Compensation program under OBRA. The principal changes were a delay in paying benefits until the beginning of the first full month after the benefit is approved, earlier implementation of reductions caused by changes in the status of dependents, and changes in rounding rules. In all, these reductions are estimated to save about $310 million in outlays between 1982 and 1985.

Veterans' Pensions

The Veterans' Pension program provides cash benefits to low-income aged and disabled veterans who served during wartime, and to their dependents and survivors. About 1.8 million persons receive benefits. Benefits are means tested; the maximum annual benefit level is currently $5,328 for veterans with no other income and no dependents, for example, and $8,786 for those with no other income and three dependents. Unlike Veterans' Compensation benefits, Veterans' Pensions have an automatic COLA provision comparable to Social Security's. 9/

The technical changes in Veterans' Compensation enacted under OBRA were also applied to the Veterans' Pension program, reducing projected outlays by about $130 million over the 1982-1985 period. In addition, the

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9. Although Veterans' Compensation benefits are not indexed and thus do not rise automatically as prices rise, they have been increased from time to time to adjust for the effects of inflation.

six-month COLA delay in Social Security enacted under the 1983 amendments also applies to Veterans' Pensions; this will reduce projected outlays by another $130 million for a total savings of $260 million over the 1982-1985 period.

Supplemental Security Income

The SSI program provides cash benefits to low-income aged, blind, and disabled persons. Almost 4 million persons receive SSI benefits. The federal government provides a basic benefit guarantee, which states may supplement. Almost all states provide supplements in at least some cases, but in many states, these supplements are limited to a relatively small proportion of recipients. About 40 percent of recipients receive some state supplement, and the federal government pays about 80 percent of all benefit costs. The federal benefit received by eligible persons with no other income is $304 a month for an individual and $456 a month for a couple.

Legislative changes in SSI were minor in 1981 and 1982 compared to those in other means-tested programs. Changes under the 1982 Tax Equity and Fiscal Responsibility Act (TEFRA) included rounding down of benefits, prorating of the first month's benefits based on the date of application, and changes in the way Social Security COLAs are treated in the income computation for SSI. In total, these changes reduced projected outlays for 1982-1985 by under $200 million, or less than 1 percent of program outlays.

The Social Security Amendments of 1983, however, will increase SSI outlays. The COLA delay enacted for Social Security and Veterans' Pensions also applies to SSI, and this is projected to reduce outlays by about $400 million in the next three years. This is more than offset, however, by an increase in SSI benefits of $20 per month for single persons and $30 per month for married couples also enacted as part of the amendments; 10/ this provision is projected to increase SSI outlays in 1983-1985 by about $1.8 billion. Finally, the amendments require the Social Security Administration to notify certain Social Security recipients of their possible eligibility for SSI; this is projected to bring new beneficiaries into the program and to raise outlays by about $150 million over the next three years.

OTHER INCOME SECURITY PROGRAMS

Spending for income security programs other than those providing retirement and disability benefits makes up slightly more than 15 percent of the human resources spending considered here, and these programs account for about one-fourth of the outlay reductions resulting from legislative changes since 1981. Reductions in this area are projected to total about $27

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10. The National Commission on Social Security Reform recommended achieving this benefit increase by raising the amount of other income "disregarded" when calculating SSI benefits. In contrast to the one adopted, this approach would have increased benefits for most, but not all, SSI recipients.

billion over the 1982-1985 period. For the most part, these programs serve low-income families that do not have elderly or disabled heads of household, although the elderly and disabled make up a substantial part of the case load in a few programs--Food Stamps and housing assistance, for example. The only program in this group that is not means tested is the Unemployment Insurance (UI) program. Table 6 shows projected outlays for the seven programs in this group, and the percentage changes enacted in each. These changes are examined in more detail below.

Unemployment Insurance

The Unemployment Insurance system is designed to provide benefits that partially replace wages lost to workers who have recently become unemployed. Benefits are financed through payroll taxes paid by employers, and each state determines its own tax structure (within federal guidelines). States also determine weekly benefits, which are a fraction of each worker's former wage rate up to a maximum level that varies by state. Although benefits in each state are paid out of taxes collected in that state, outlays for benefits appear as part of the federal budget because both tax collections and benefits flow through the Unemployment Trust Fund. In addition, states may borrow from the federal government to pay benefits if their own balances in the trust fund become too low.

TABLE 6. OTHER INCOME SECURITY PROGRAMS--CURRENT BASELINE SPENDING PROJECTIONS AND PERCENTAGE CHANGES IN OUTLAYS AS A RESULT OF LEGISLATIVE ACTIONS, FISCAL YEARS 1982-1985

Programs	Outlays (in billions of dollars) [a] 1982	1983	1984	1985	Total 1982-1985
Unemployment Insurance	23.8	31.0	26.0	24.6	105.4
AFDC	8.0	8.2	8.3	8.4	32.9
Food Stamps	11.0	12.5	12.3	12.5	48.3
Child Nutrition	3.0	3.2	3.4	3.6	13.3
WIC	0.9	1.2	1.2	1.2	4.5
Housing Assistance	7.9	9.4	10.1	10.9	38.3
Low-Income Energy Assistance	1.7	2.0	2.1	2.2	7.9
	Percentage Changes in Outlays as a Result of Legislative Actions Since 1981 [b]				
Unemployment Insurance	-4.0	+10.7	-14.8	-17.6	-6.9
AFDC	-9.9	-13.0	-13.5	-14.0	-12.7
Food Stamps	-12.2	-9.7	-14.2	-14.1	-12.6
Child Nutrition	-24.3	-28.8	-29.0	-28.5	-27.7
WIC	-4.9	+10.5	+7.0	+4.3	+4.4
Housing Assistance	--	+1.2	-4.3	-11.5	-4.4
Low-Income Energy Assistance	-7.0	-7.6	-8.6	-9.7	-8.3

SOURCE: Congressional Budget Office.

a. Reflects legislative changes made before July 31, 1983. Based on February 1983 economic assumptions.

b. The 1981 baseline, revised to reflect current economic assumptions, is used as the base for computing percentage changes.

Unemployment benefits are paid to qualifying workers--about half of all unemployed persons--for up to 26 weeks under the regular state UI programs. In addition, if the unemployment rate in a state is above a certain level, workers are eligible for extended benefits for up to another 13 weeks. Finally, under the temporary Federal Supplemental Compensation (FSC) program, which under current law expires at the end of fiscal year 1983, additional federally funded benefits are available in all states for a period of 8 to 14 weeks, depending on the state's unemployment rate. Weekly UI benefits averaged $113 in 1982, and approximately 11 million persons received benefits.

A number of changes have recently been made in the UI system. These changes have been intended both to hold down total federal spending for UI and to help restore solvency to the state systems, several of which have had to borrow from the federal government in the last few years to pay for benefits. (About 30 states currently have outstanding federal loans.) Under the Omnibus Budget Reconciliation Act of 1981, outlays for the federal/state extended benefit program were reduced by raising the insured unemployment rate necessary to trigger eligibility for extended benefits and by making other changes. These outlay reductions were somewhat offset by the passage of provisions in 1982 (under TEFRA) for the federal supplemental compensation program, which is available in all states. TEFRA also contained provisions aimed at increasing revenues to the unemployment

insurance system by increasing the wage base and tax rates for federal UI taxes. The proportion of UI benefits subject to the federal income tax was also raised--under current law, benefits received by single persons with incomes over $12,000 and married couples with incomes over $18,000 are subject to tax, while under prior law the limits were $20,000 and $25,000 respectively. Finally, under the recently passed Social Security Amendments, the FSC program, which had been scheduled to expire on March 31 of this year, was extended through September 31, 1983.

On net, these changes increased outlays for UI by about $3 billion in 1983, or almost 11 percent relative to the 1981 baseline. Projected outlays for 1984 and 1985 are significantly lower under current law than under the revised 1981 baseline, however; reductions in extended benefits have lowered projected outlays for those years by about 15 and 18 percent respectively. If the FSC program is again extended, it will offset some of these reductions.

Aid to Families with Dependent Children

The AFDC program provides cash benefits to low-income single-parent families with children. (At state option, benefits may also be provided to two-parent families with an unemployed head of household; about 7 percent of all recipient families are in this category.) The program is jointly financed by the federal government and the states under a matching

formula, and benefit levels are set by the states. Benefits range from a low of $96 a month for a family of three with no other income in Mississippi to a high (within the continental United States) of $513 per month for a similar family in Connecticut. Other income received by AFDC recipients, such as earnings, offsets their benefits. About 3.5 million families received an average of $306 in October 1982. Adult recipients are required to register for work or for job training unless they are caring for a child under the age of six or are otherwise excused. Enrollment in the AFDC program also confers eligibility for Medicaid, the health-care program for the poor.

Major changes in the treatment of AFDC recipients with earnings were enacted in 1981 as part of OBRA. Under prior law, only part of a recipient's earnings offset benefits; recipients could exclude the first $30 of monthly earnings and one-third of the remainder from their "countable income" in determining benefits. For example, a woman with earnings of $330 a month in a state with a maximum benefit above that level would have received $130 more in AFDC benefits under the "thirty and a third" rule than if all of her earnings were counted as income, reducing her benefits dollar for dollar. This rule allowed some recipients whose incomes would otherwise have been too high to maintain their AFDC eligibility.

Under OBRA, however, this "thirty and a third" exclusion ends after four months of a recipient's earnings. As a result, many AFDC recipients

with earnings no longer qualify for benefits, and others have had their benefits reduced. In addition to the change in the "thirty and a third" rule, other OBRA changes affected earners. Deductions of work-related expenses from countable income were reduced and were resequenced so that the "one-third" deduction, when available, came after the work-related expense deductions rather than before. Eligibility was ended for families with incomes above 150 percent of each state's need standard. And the Earned Income Tax Credit (EITC) was counted as income monthly, whether it was received in advance or not.

In addition to the changes affecting workers, several other changes in AFDC were also enacted under OBRA. Benefits were reduced or eliminated for children with a stepparent in the home, and they were eliminated for students beyond high school and, until their last trimesters, for pregnant women with no other children. Other changes were: including lump-sum payments in income for the purposes of determining a family's need; tightening resource limits; mandating retrospective accounting and monthly reporting of recipients' incomes; requiring recoupment by states of over-payments and reimbursement of recipients for underpayments; and explicitly authorizing optional state "workfare" projects requiring recipients to "work off" their payments.

Of the 450,000 to 500,000 families with earnings estimated to be receiving AFDC at the time of the OBRA changes, about one-half are estimated to have lost eligibility because of OBRA. Another 40 percent are estimated to have had their AFDC benefits reduced, and the remaining 10 percent to have received unchanged or higher benefits. The other OBRA changes, which affect primarily non-earners, are estimated to have made at least another 100,000 families ineligible and reduced benefits significantly for another 100,000.

Additional small changes in AFDC benefits were enacted in 1982 under TEFRA. These changes included rounding down of benefits and prorating of the first month's benefit based on the date of application. These changes, together with the OBRA changes, have reduced projected outlays for AFDC by about 13 percent over the 1982-1985 period relative to what they would have been under the revised 1981 baseline.

Food Stamps

The Food Stamp program provides coupons redeemable for food to low-income persons and families. Benefits are federally funded and do not vary by state as do those in the AFDC and UI programs. Benefit levels are based on an index known as the "Thrifty Food Plan," which measures the price of a nutritionally adequate low-cost diet, and are adjusted periodically as food prices change. Benefits received by persons with no countable

income equal 99 percent of the Thrifty Food Plan amount for the appropriate household size. For a three-person family with no other income, for example, benefits would be $199 per month. For families that do have some income, benefits are reduced by 30 cents for each dollar of other income received, on the assumption that such households are able to spend about 30 percent of their incomes on food. 11/ In general, eligibility for benefits depends only on recipients' income levels and assets, although program rules limit the eligibility of workers on strike, post-secondary students, resident aliens, and certain other, relatively small groups. About 22 million people received benefits each month in 1982, and the average monthly benefit was about $39.

Several changes in the Food Stamp program were enacted in 1981 to reduce program costs. The largest savings resulted from the provisions eliminating the inflation adjustment for benefit levels in 1982 and postponing certain later inflation adjustments. Other changes included replacing the Food Stamp program in Puerto Rico with a block grant, prorating the first month's benefits based on the date of application, and eliminating eligibility for households with gross monthly incomes over 130 percent of the federal poverty level, unless they have elderly or disabled members.

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11. Benefit reductions are based on "countable income," which allows a standard deduction of $85 and, under some circumstances, deductions for shelter costs and certain work-related and medical expenses.

Additional changes in the Food Stamp program enacted in 1982 included a reduction in the basic benefit amount from 100 percent to 99 percent of the Thrifty Food Plan amount for fiscal years 1983-1985, rounding down of benefits to the next lowest dollar, and changes designed to penalize states for high administrative error rates.

In all, the 1981 and 1982 changes combined reduced Food Stamp program outlays by about 13 percent relative to the projected outlays for the 1982-1985 period under the revised 1981 baseline. For the most part, these savings result from the delays in benefit increases, which affect most program recipients. In addition, however, the changes eliminated the eligibility of about 4 percent of program recipients, or about 1 million people.

Child Nutrition Programs

The child nutrition programs, which include the National School Lunch Program, the National School Breakfast Program, the Summer Feeding Program, the Child Care Feeding Program, and several other small programs, provide assistance in both cash and commodities. Most of these programs subsidize meals for children in schools, child-care facilities, and other institutional settings. In general, subsidies are higher for children from low-income families, but children from middle-income households may receive some subsidy. Federally determined formulas are used to set subsidy levels,

which are uniform nationwide for participating institutions. Typically, the federal government provides about half of the funding for such child nutrition programs, with the remainder coming from state and local governments and from students' families. In 1982, about 23 million children participated in the National School Lunch Program, the largest of the child nutrition programs.

Outlays for the child nutrition programs were reduced by about 28 percent relative to the revised 1981 baseline projections for 1982-1985 as a result of the Omnibus Budget Reconciliation Act of 1981. Most of the savings came from reductions in federal subsidy rates for student meals and from changes in the family income levels that determine the type of subsidy for which a child is eligible. Participation in the school lunch program fell by about 3 million in the first year after the changes were made, with about one-third of the decline resulting from reductions in the participation of children qualifying for free and reduced-price meals. The remainder of the decline in participation came from a decrease in the number of children receiving "paid" lunches, for which the federal government also provides a small subsidy, although the bulk of the costs are paid for by students' families.

WIC

The Special Supplemental Food Program for Women, Infants, and Children (WIC) provides specified supplemental foods to low-income pregnant and post-partum women and to infants and young children. Although funding for the program is federal, benefits are provided through state health agencies (or comparable agencies), and they take the form of actual food items such as milk, cheese, fruit juice, and eggs, or of vouchers for specific foods. Eligibility depends on both income level and evidence of nutrition-related health risk. The specific income eligibility standard that applies is set by local health agencies, but it must be between 100 percent and 185 percent of the poverty level. At the end of 1982, the program was serving approximately 2.4 million persons, who received food supplements valued at about $30 per month on average.

Unlike most of the programs discussed so far, WIC is an appropriated program rather than an entitlement--that is, expenditure levels are set each year by the Congress, rather than being determined by the numbers and types of persons who apply for benefits. The projected outlays shown in the baseline estimates for such programs represent the appropriation that would be necessary to maintain current levels of services under the program. The $930 million in outlays for WIC in 1982--although it was the same amount that had been spent in 1981--therefore represented a slight decline in

outlays relative to the baseline estimate. 12/ Since 1982, however, appropriations for WIC have been increased twice, most recently in the Emergency Jobs Appropriation Act, and the 1983 baseline projection for the program is about 4 percent higher for the 1982-1985 period as a whole than was the revised 1981 baseline projection.

Housing Assistance

The bulk of housing assistance is provided through the Section 8 and public housing programs, which subsidize rents for low-income families and elderly individuals. To qualify for housing assistance, families must have incomes below 80 percent of the median for their area, and more than 90 percent of the aid is reserved for those with incomes below 50 percent of the local median. Families participating in Section 8 and public housing pay 27 percent to 30 percent of their adjusted income in rent, and the remainder of the rent they owe is paid by the Department of Housing and Urban Development (HUD). In 1982, subsidies were provided for approximately 2.8 million rental units.

Projected outlays for housing assistance, including public housing operating subsidies, are about $1.8 billion lower for the years 1982-1985

12. Spending authority for 1982 also included a small amount of funding that was appropriated but not spent in 1981, and a slightly larger number of recipients were served in 1982. Average benefits levels also increased slightly in nominal terms.

under the current baseline than under the revised 1981 baseline. Most of the difference is accounted for by a reduction over the last two years in the number of new long-term housing assistance commitments made each year, and an increase in tenants' rent payments from 25 percent to 30 percent of their adjusted incomes. This increase is still being phased in.

Low Income Energy Assistance

The Low Income Energy Assistance (LIEA) program provides assistance with heating and cooling costs, low-cost weatherization, and energy-related emergencies to low-income persons and families. In 1982, about 60 percent of the funds were used for heating assistance, and the average annual benefit provided for this purpose was $182. In all, between 8 million and 9 million assistance grants were made. The program is entirely federally funded, but is operated by the states, which have considerable discretion in the allocation of funds.

Several changes in the Low Income Energy Assistance program were made under OBRA. Appropriations were held constant at 1980 levels, the types of energy assistance allowed were expanded, and states were given the option of transferring up to 10 percent of their allotted funds under the program into other health or social services block grants. (Transfers from those programs into LIEA were also authorized.) Federal requirements for state reporting on planned use of the funds were also eased. In all,

projected outlays for the 1982-1985 period were reduced by about $700 million relative to the revised 1981 baseline.

HEALTH CARE PROGRAMS

Outlay reductions in health-care programs will total $18.4 billion for the 1982-1985 period. Reductions from the 1981 baseline of 5 percent in both Medicare and Medicaid constitute the bulk of the changes, because these two entitlement programs account for more than 95 percent of all federal spending for health-care benefits considered here. Larger proportional reductions were enacted in programs now directed by the Health Resources and Services Administration, however--primarily in the categorical programs consolidated into the health block grants. Table 7 summarizes total outlays and the impacts of legislative changes on outlays since 1981.

Medicare

Medicare, the largest health care program, provides benefits principally in the form of payment for hospital and physicians' services for elderly and disabled patients. In 1982, more than $50 billion was spent on this program. Eligibility is linked to Social Security eligibility, and more than 90 percent of the 29 million beneficiaries are over the age of 65. Hospital Insurance--Part A of Medicare--is funded through a trust fund financed by taxes paid by workers in jobs covered by the Social Security system. Supplementary Medical Insurance--Part B--is funded jointly through beneficiaries' premium payments and from general federal revenues.

TABLE 7. HEALTH CARE PROGRAMS--CURRENT BASELINE SPENDING PROJECTIONS AND PERCENTAGE CHANGES IN OUTLAYS AS A RESULT OF LEGISLATIVE ACTIONS, FISCAL YEARS 1982-1985

Programs	Outlays (in billions of dollars) a/ 1982	1983	1984	1985	Total 1982-1985
Medicare	50.4	57.4	66.0	74.9	248.7
Medicaid	17.4	19.5	21.3	24.2	82.4
Other Health Services b/	1.3	1.3	1.2	1.2	4.9
	Percentage Change in Outlays as a Result of Legislative Action Since 1981 c/				
Medicare	-1.1	-4.8	-5.9	-6.9	-5.0
Medicaid	-4.7	-5.0	-5.9	-2.8	-4.5
Other Health Services b/	-5.7	-15.8	-28.9	-33.6	-22.0

SOURCE: Congressional Budget Office.

a. Reflects legislative changes made before July 31, 1983. Based on February 1983 economic assumptions.

b. Includes all programs previously under the Health Services Administration. Among these are three categorical programs, for family planning, migrant health, and black lung clinics, and two block grants, for primary care and maternal and child health. For technical reasons, the block grants for substance abuse and preventive care have been excluded. Funding for the excluded block grants declined by 16.1 percent between 1981 and 1982, compared to a 15.8 percent decline for the two that were included.

c. The 1981 baseline, revised to reflect current economic assumptions, is used as the base for computing percentage changes.

Rapid growth in Medicare outlays--at an annual rate of nearly 18 percent since 1970--reflects the general trend toward rising costs throughout most of the health-care sector. To reduce costs in Medicare, major changes have been enacted in the way in which hospitals are reimbursed and, to a lesser extent, in the contributions required of beneficiaries. The types of services provided have largely been unaffected by legislative changes enacted since 1981.

Changes enacted in Medicare under OBRA included both lower reimbursement levels for hospitals--which did not have a direct impact on individuals--and greater required contributions from beneficiaries. These additional costs to beneficiaries, which will save more than $2 billion in the 1982-1985 period, largely represent changes in the deductible amounts for both Part A and Part B services. More than two-thirds of the 29 million Medicare beneficiaries will be affected by these benefit changes each year, with the magnitude of effects depending on their patterns of use of health services.

Several changes made in 1982 under TEFRA will also affect beneficiaries, although the largest savings were achieved by further restricting hospital reimbursements through limits on both total program operating costs per admission and rates of growth in payments. Among the changes affecting beneficiaries are lower reimbursements to radiologists

and pathologists, and making Medicare coverage secondary to private insurance for the working elderly. The first of these changes, lowering reimbursements from 100 percent to 80 percent of "reasonable" charges for these two physician groups, will result in increased billing to Medicare beneficiaries using these services. The second, making Medicare a secondary payer for employed beneficiaries aged 65 through 69 who elected to choose health-care coverage provided by employers, may influence beneficiaries' chances for employment or their wages and fringe benefits over time. Another change affecting beneficiaries was an increase in the Part B premium through 1985. Not shown in the outlay totals summarized here--they do not directly affect outlays--these higher premiums will nevertheless raise costs to beneficiaries by $820 million over the 1982-1985 period.

Changes in Medicare under the Social Security Amendments of 1983 effectively lowered the increase in premium costs by delaying the changes from July to the following January of each year and introduced a cost-neutral change in hospital reimbursement--a payment system based on diagnostic-related groups. The net effect of these changes was to lower slightly--by about $200 million--the projected reduction in Medicare outlays over the 1982-1985 period.

Medicaid

The Medicaid program provides matching funds to states to finance medical care for low-income persons who are blind, aged, or disabled, or who belong to families with dependent children. Federal expenditures totalled more than $17 billion in 1982 and helped provide benefits to about 20.4 million persons. About 80 percent of these recipients also received either AFDC or SSI benefits.

Most of the cuts in Medicaid since 1981 were enacted as part of OBRA. Under OBRA, federal grants to states were reduced by 3 percent in 1982, by 4 percent in 1983, and by 4.5 percent by 1984. States could, however, avoid this reduction by reducing their error rates and rates of benefit growth; in addition, they were given more discretion in the areas of hospital reimbursement and eligibility determination. Changes in AFDC eligibility under OBRA also reduced projected Medicaid outlays. Over the 1982-1985 period, these changes are projected to reduce expenditures by about $3.9 billion relative to the revised 1981 baseline.

A few additional program changes were enacted in Medicaid in 1982. States were given the option of requiring "copayments" (patient-paid shares) from recipients and, to recoup the cost of benefits, were allowed to place liens on the homes of recipients who died while in an institution. It is still too early to assess the response of states to this added flexibility.

Other Health Services

A relatively small amount of additional health-care services are provided by the federal government through the Health Resources and Services Administration. Prior to 1983, there were two agencies--a Health Resources Administration and a Health Services Administration. For technical reasons, estimates here reflect only programs funded under the Health Services Administration--largely those incorporated into the Primary Care and the Maternal and Child Health block grants, but also including family planning, migrant health, and black lung clinics. Benefits are largely but not exclusively targeted on low-income groups. Altogether, expenditures for these services will total less than $5 billion over the 1982-1985 period, with spending decreasing in nominal dollars.

The 1981 Omnibus Budget Reconciliation Act established four separate health-care block grants that consolidated 21 categorical health programs. Within each of these block grants, funding was set at a lower level than the total that had been appropriated for the individual programs before consolidation. Although the recently enacted jobs bill (P.L. 98-8) added $176 million to the totals for 1983 and 1984, the net effect of legislative action has been to reduce projected outlays by $1.4 billion, or 22 percent relative to the revised 1981 baseline.

EDUCATION AND SOCIAL SERVICES

Education and social service programs make up a much smaller percentage of the total human resources budget than do retirement and disability programs, other income security programs, or health-care programs; total outlays in this category represent about 4 percent of federal spending for the human resources programs considered here. Reductions in this area, therefore, though generally large compared to total program outlays, account for a relatively small proportion of total human resources outlay reductions--about 12 percent. Table 8 shows the reductions in individual programs.

The major programs in this area include compensatory education programs serving elementary and secondary school students, Guaranteed Student Loans and Pell Grants for post-secondary students, and the Social Services Block Grant. All of these programs except GSLs are discretionary rather than entitlement programs, and most, with the exception of the programs providing benefits for post-secondary students, extend grants to states and localities. State and local governments have considerable flexibility in the use of funds provided under several of these grants, so the activities supported may vary considerably from state to state. In some of these programs, there is as yet little evidence concerning the effects of federal expenditure reductions on states' spending patterns.

TABLE 8. MAJOR EDUCATION AND SOCIAL SERVICES PROGRAMS--CURRENT BASELINE SPENDING PROJECTIONS AND PERCENTAGE CHANGES IN OUTLAYS AS A RESULT OF LEGISLATIVE ACTIONS, FISCAL YEARS 1982-1985

Programs	Outlays (in billions of dollars) a/				
	1982	1983	1984	1985	Total 1982-1985
Compensatory Education	3.1	3.0	3.2	3.3	12.7
Head Start	0.8	0.9	0.9	1.0	3.7
Vocational Education	0.7	0.7	0.7	0.7	2.9
GSLs	3.0	2.3	2.3	2.5	10.1
Other Student Financial Assistance	2.7	3.6	3.6	3.8	13.7
Veterans' Readjustment Benefits	2.0	1.6	1.3	1.0	5.9
Social Services Block Grant	2.6	2.6	2.6	2.6	10.3
Community Services Block Grant	0.4	0.4	0.4	0.4	1.6

(Continued)

Table 8 (continued)

Programs	Percentage Change in Outlays as a Result of Legislative Action Since 1981 b/				
	1982	1983	1984	1985	Total 1982-1985
Compensatory Education	-10.6	-18.7	-19.9	-18.9	-17.2
Head Start	1.7	-0.6	-1.1	-1.0	-0.3
Vocational Education	-10.8	-13.3	-12.7	-12.5	-12.4
GSLs	-8.3	-25.7	-33.7	-39.0	-27.5
Other Student Financial Assistance	-10.5	-10.6	-15.6	-16.1	-13.5
Veterans' Readjustment Benefits	-10.3	-9.7	-10.6	-9.3	-10.0
Social Services Block Grant	-21.4	-20.0	-21.1	-23.9	-21.6
Community Services Block Grant	-36.5	-36.3	-40.4	-42.3	-38.9

SOURCE: Congressional Budget Office.

a. Reflects legislative changes made before July 31, 1983. Based on February 1983 economic assumptions.

b. The 1981 baseline, revised to reflect current economic assumptions, is used as the base for computing percentage changes.

Compensatory Education

Title I of the Elementary and Secondary Education Act--as modified by Chapter I of the Education Consolidation and Improvement Act (ECIA) of 1981--is the largest source of aid to localities for compensatory education, and it provides nearly half of all federal aid to elementary and secondary education. In more than half the states, the ECIA is the only source of aid to localities for compensatory education at the elementary school level. In the 18 states that had their own programs in the 1978-1979 school year, federal dollars provided, on average, more than 70 percent of total federal and state funding for compensatory education. Nationwide, federal money provided nearly 80 percent of all federal and state compensatory education aid.

Under Title I, Part A, formula grants are distributed among and within the states on the basis of state school expenditures per pupil and the relative number of school-age children from low-income families, although at the school level, compensatory services are targeted on low-achieving children regardless of family income. 13/ Almost 90 percent of school districts receive some funds under Title I, but districts with large concentrations of poor children receive larger per pupil allocations.

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13. About 85 percent of Title I funding is for Part A programs for local education agencies. There are several smaller programs under Part B, for services provided by state agencies to institutionalized and migrant children.

Funding levels for Title I/Chapter 1 have declined by about 17 percent over the projection period as a whole relative to the revised 1981 baseline. In addition to changes in funding levels, OBRA also simplified the legislative provisions for the program and increased state and local flexibility in the use of funds. These changes reduced the degree of required targeting of funds on low-income children.

Measuring the impact of these changes is complicated by several factors. For example, state and local educational agencies may respond to funding cuts by reducing the number of children served, by reducing the level of expenditures per child, or by trying to provide services in a more cost-effective manner. In addition, federal funds may be used up to two years after they are received, which may delay the impact of budget reductions on state and local programs. Further, if any additional state funds are made available for each program, the impact of a reduction in federal funding may be diminished, although past experience shows that states are more likely to reduce services than to replace federal funds in this area. Finally, statistical information from the 14,000 local school districts operating programs for the disadvantaged generally requires several years to collect and publish, so detailed information on state and local responses to the problem will probably not be available for some time.

Head Start

A second source of funding for compensatory services is Head Start, a social service program that provides educational, nutritional, health, and social services to pre-school children from poor families in an effort to reduce disparities in development between disadvantaged children and others, so that poor children might begin their formal education on a more comparable basis. Most programs operate four to six hours a day, for eight to twelve months a year. Head Start programs spent $2,311 per child, on average, in 1982, but sponsors typically made extensive use of other federal programs--especially nutrition subsidies, Medicaid, and public service employment--in providing services as well. 14/

Head Start funds are apportioned among the states by a formula based on each state's relative number of poor children. Project grants from a state's allocation are then provided by the federal government to eligible local organizations within the state--including community action agencies, schools, and religious groups. Local sponsors are required to provide at least 20 percent of program expenses. Some provide more than this, but the bulk of local contributions is in kind--volunteer workers and donations of space and equipment. Federal dollars are nearly 100 percent of cash support.

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14. The use of public service employees has been greatly reduced by the elimination of public service employment in most employment assistance programs. Some public service employment continues, however, for older workers through the Community Service Employment (CSE) program under the Older Americans Act.

Changes in Head Start funding have been small. Funding levels in 1982 were increased by about 2 percent relative to the revised 1981 baseline, and small decreases--approximately 1 percent per year--are projected for 1983-1985.

Vocational Education

Programs authorized under the Vocational Education Act support basic vocational training and special programs for the disadvantaged. Most funds are allocated among the states through a formula based on population and per capita income. States in turn distribute the funds to local education agencies largely on the basis of school population. Federal dollars account for only about 10 percent of all public spending for vocational education, but they contribute more than half of all funding for programs targeted on disadvantaged students.

Funding for federal vocational education programs has declined by about 12 percent over the projection period relative to the revised 1981 baseline. No significant changes in the program's authorizing legislation have been made, although the Administration has proposed to consolidate the various vocational education programs together with adult education into a single block grant to states. The reduction in overall funding for vocational education that has taken place will probably have little effect on basic vocational programs, since the federal contribution is small and these

programs are well supported at the local level. Programs targeted on disadvantaged groups are likely to be more adversely affected, however.

Guaranteed Student Loans

The GSL program provides subsidized loans for students in post-secondary education. The federal government insures the loans against default, pays the interest while students are in school, and pays lenders varying amounts intended to provide a market rate of return. Although most current borrowers receive GSLs at 9 percent interest, new borrowers after September will obtain 8 percent loans.

The 1981 reconciliation act requires students with family incomes above $30,000 to demonstrate financial need to qualify for loans; before this change, all students were eligible for GSLs regardless of their family incomes. The 1981 act also added a requirement that all borrowers pay an "origination fee" equal to 5 percent of the amount borrowed. Compared to outlays under the revised 1981 baseline, GSL spending in the 1982-1985 period was reduced by about $3.8 billion, or about 27 percent. The 1981 baseline estimate anticipated that loan volume would increase by about 20 percent between 1981 and 1982. In fact, however, the number of students actually obtaining GSLs fell from 3.5 million to 2.8 million between those years, and the amount borrowed fell from $7.8 billion to $6.1 billion.

Other Student Financial Assistance

Other financial assistance for students includes Pell Grants, campus-based student aid programs, and State Student Incentive Grants. These programs provide grants, loans, and work study funds to post-secondary students. Pell Grants, which accounted for about two-thirds of 1981 appropriations in this area, are most heavily targeted on the lowest-income students.

In 1981, Pell Grants were reduced by $80 per student for all recipients--approximately 2.5 million students. Since then, appropriations for the Pell Grant program have not risen as fast as the rate of inflation. Total funding for other student assistance programs was also reduced slightly between 1981 and 1982, and has remained at 1982 levels in 1983. In all, projected outlays for this area in 1982-1985 are about 13 percent lower than they would have been under the revised 1981 baseline.

Veterans' Readjustment Benefits

Veterans' readjustment benefits include GI bill education benefits; education benefits for spouses and children of veterans with permanent and total service-connected disabilities or of servicemen who die or are missing in action; vocational rehabilitation for persons with service-connected disabilities; and grants for automobiles, adaptive equipment, and specially adapted housing for certain veterans with service-connected disabilities.

Under the GI bill, education and training benefits for Vietnam-era veterans account for almost 90 percent of the total readjustment benefits appropriation. Expenditures for this group have been falling, however, because declining numbers of these veterans are participating in the GI bill program. (Generally, veterans have ten years after discharge or release from service, or up to December 31, 1989, to use their education entitlement, but extensions have been provided for certain groups.) Under the GI bill, a monthly maximum of $342 for 45 months is paid to a single veteran, but rates are increased if there are dependents.

Changes in veterans' readjustment benefits reduced projected outlays for 1982-1985 by about 10 percent relative to the revised 1981 baseline. OBRA discontinued GI education benefits for flight training, reduced from 70 percent to 55 percent the portion of correspondence courses reimbursed under the GI bill, and terminated the educational loan program.

Social Services Block Grant

This grant was created in 1981 under OBRA, which merged a similar but more narrowly targeted block grant authorized by Title XX of the Social Security Act with two much smaller Title XX programs: grants for day-care services and for training state and local social service workers. Federal funds under the current block grant are allocated among the states solely on the basis of population.

The consolidated grant carries no requirement that spending levels under the predecessor grants for day care and for training be maintained. In addition, federal requirements under the prior grants restricting eligibility for services to low-income individuals and requiring matching state-local funds were eliminated. Elimination of the matching requirement is not likely to have much effect on total service levels, however, since most states provided more than their required share.

Projected outlays in 1983-1985 for the Social Services Block Grant are about 22 percent lower than the revised 1981 baseline projections for the programs it replaced. Since federal funding for 1982 was less than would have been required to maintain 1981 service levels, many states have reduced their spending for day care and for training in an effort to maintain other services, particularly protective services for children and adults and community care services for the elderly and disabled. In addition, states have shifted costs to other federal programs whenever possible. For example, for welfare clients, day-care costs have been shifted to AFDC, and family planning and home health-care costs have been shifted to Medicaid. Evidence for the priority given to social service programs is the decision by 20 states to transfer funds from the Low Income Energy Block Grant to the Social Services Block Grant, as authorized under OBRA.

Community Services Block Grant

The Community Services Block Grant, which was also created under OBRA, replaced programs run by the Community Services Administration (CSA) in 1982. Block grant funds with no matching requirement are distributed among the states on the basis of the previous allocation of funds under the CSA, which gave project grants directly to community action agencies in largely urban, low-income areas. Some states indicate, however, that they intend to distribute funds more broadly among localities in the future since federal restrictions on continued funding of previous recipients no longer apply beginning in 1983. It is uncertain how the community action agencies that previously received funds from the CSA will fare under the new block grant. Federal dollars may instead be channeled entirely through local government agencies.

Projected federal funding under this Community Services Block Grant is about 39 percent lower for 1982-1985 than the revised 1981 baseline for the programs it replaced. Funds may be used for a variety of community-based services and for community economic development. In the past, community action agencies often served as sponsors for Head Start programs, and were the recipients of grants from a variety of other federal and state programs. Their major role was to draw together and to coordinate the various federal, state, and local resources that could be used to improve the circumstances of the poor in the community.

EMPLOYMENT AND TRAINING PROGRAMS

Although employment programs account for less than 3 percent of outlays for human resources programs considered here, they absorbed almost 23 percent of the total reduction in expenditures resulting from legislative actions. The largest reduction was the elimination of the Public Service Employment (PSE) program. Large reductions were also made in other employment and training programs, although some funds were restored to these programs in 1983. Table 9 shows the 1983 baseline outlay projections for selected employment programs and the percentage changes as a result of legislative actions.

General Employment and Training Programs

The federal government supports employment programs for two kinds of workers--those who are economically disadvantaged and those who are "dislocated" by structural changes in the labor market. Most programs are authorized under the Job Training Partnership Act (JTPA), which replaced the Comprehensive Employment and Training Act (CETA) in 1982. About 97 percent of JTPA funding supports programs for the disadvantaged, and the remainder is for dislocated workers. Except for the Job Corps (which is considered separately below) and special programs for migrant workers and Indians, employment programs are administered by state and local agencies. The services provided include classroom training, on-the-job training, summer employment for youth, counseling, and job search assistance.

TABLE 9. SELECTED EMPLOYMENT PROGRAMS--CURRENT BASELINE SPENDING PROJECTIONS AND PERCENTAGE CHANGES IN OUTLAYS AS A RESULT OF LEGISLATIVE ACTIONS, FISCAL YEARS 1982-1985

	Outlays (in billions of dollars) a/				
	1982	1983	1984	1985	Total 1982-1985
General Employment and Training Programs	3.5	3.2	3.4	3.5	13.7
Public Service Employment	0.1	--	--	--	0.1
Jobs Corps	0.6	0.6	0.6	0.6	2.4
Work Incentive Programs	0.2	0.3	0.3	0.3	1.1

	Percentage Change in Outlays as a Result of Legislative Action Since 1981 b/				
General Employment and Training Programs	-26.3	-37.6	-37.1	-38.5	-35.1
Public Service Employment	-97.2	-100.0	-100.0	-100.0	-99.4
Jobs Corps	-2.2	-3.3	-7.7	-8.6	-5.6
Work Incentive Programs	-29.9	-31.9	-35.0	-35.1	-32.9

SOURCE: Congressional Budget Office.

NOTE: Components may not add to totals because of rounding.

a. Reflects legislative changes made before July 31, 1983. Based on February 1983 economic assumptions.

b. The 1981 baseline, revised to reflect current economic assumptions, is used as the base for computing percentage changes.

Projected outlays in 1982-1985 for JTPA programs (excluding the Job Corps) are about 35 percent lower than the revised 1981 baseline projections for the CETA programs continued under JTPA. This reflects a substantial decline in real funding for programs for the disadvantaged, together with a large percentage (but small absolute) increase in funding for dislocated workers. Since state and local governments typically do not support employment programs for the disadvantaged from their own funds, the decline in federal funding could substantially reduce services provided to disadvantaged workers.

Public Service Employment

Funding for PSE was eliminated under OBRA. Previously, PSE programs authorized through CETA provided federal funds to state and local governments to pay most of the costs of jobs for low-income persons. About two-thirds of the jobs were in state and local government agencies and one-third were in not-for-profit organizations.

Under OBRA, all PSE jobs were eliminated by the end of 1981. Compared to the baseline, this provision eliminated about 350,000 PSE jobs that would have employed about 600,000 persons, each for an average of about seven months. Total outlay reductions relative to the revised 1981 baseline for PSE come to almost $17 billion for the 1982-1985 period, although some of these savings would be offset by increased outlays in

income support programs and by reductions in income tax and Social Security revenues.

Job Corps

Job Corps is the major program administered by the federal government that is authorized by JTPA. It is a residential program providing disadvantaged youth with an intensive set of services including remedial education, vocational and on-the-job training, health care, counseling, and placement assistance.

Projected funding for the Job Corps is about 6 percent lower for the 1982-1985 period under the current baseline than under the revised 1981 baseline projections. This program--which has proven effective for those who complete it--has not undergone the more substantial reductions in real funding that have been made in most other employment programs for the disadvantaged.

Work Incentive Program

The WIN Program provides grants to states to assist recipients of AFDC and other able-bodied adult applicants in achieving self-support. Established in 1967, WIN prepares individuals for employment through structured job search activities, on-the-job training, public service employment, work experience, and institutional training. Child care, job placement

assistance, and other services necessary to enable WIN participants to participate in training or employment are also provided. AFDC recipients without children younger than six in their care are required to register for WIN or for an alternative state "workfare" program as a condition for AFDC eligibility.

About one million people were registered under WIN at the end of 1982, and $281 million was appropriated for the program in that year. This represented a decrease from 1981 levels, when $365 million was appropriated to serve 1.6 million registrants.

Because of interest in trying alternative approaches to increasing the employment of welfare recipients, and because WIN was unable to serve all registrants with the available funding, states were authorized under OBRA to established three-year demonstration projects of their own design as an alternative to WIN. Operated by state welfare agencies, the demonstrations are funded under the same matching formula as AFDC. As of late 1982, 17 states were operating WIN demonstrations in at least one site within the state.

SECTION IV. IMPACT OF LEGISLATIVE CHANGES ON HOUSEHOLDS IN DIFFERENT INCOME CATEGORIES

The changes enumerated in Section III would affect individuals and families in many different ways. In the descriptions of the individual program changes, an attempt was made to indicate what types of people would have been most affected by the changes enacted. This section summarizes the overall impact of those program changes on households in different income categories.

The analysis concentrates on legislative changes directly affecting the incomes or resources of specific persons and families. No attempt has been made to estimate the effect on the distribution of income that might result from policy changes that indirectly affect individual incomes, for example, by changing growth rates or unemployment rates for the economy as a whole. The analysis also does not include changes in most grants to states, other than individual assistance grants such as AFDC. Because programs such as the Social Services Block Grant provide a variety of services available to a diverse population, the impacts of reductions in these programs on specific individuals cannot be estimated with any certainty. Also, what additional services states would have funded if they had been given larger grants cannot be known; even under existing grants, data on the characteristics of those who benefit are lacking in many cases.

The methodology underlying this analysis is the same as that used in several earlier CBO studies of the distributional impacts of tax and benefit changes, and it is outlined in more detail in the first of those studies, which appeared in February 1982. 1/ Several important caveats discussed in that study should also be noted here.

First, a breakdown of the distribution of expenditure changes by income category may be misleading in some respects. For example, average household size varies somewhat by income group; thus, a distribution of benefits by income category only will not take into account differences in the relative needs of these different sized households.

Also, although the overall distribution of households by income group stays fairly constant over time, individual households may move among groups relatively often. Such movement may be particularly likely for households in the bottom category, which contains a comparatively large share of single persons who are attending school. Similarly, events such as marriage, divorce, sustained unemployment, and retirement may also cause households to move among income groups over time. Thus, the impact shown for a particular category may represent changes in the benefits

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1. Congressional Budget Office, "Effects of Tax and Benefit Reductions Enacted in 1981 for Households in Different Income Categories," Special Study (February 1982).

received by a changing group of people over time, rather than reductions that are all experienced by the same people.

In addition, the estimates presented here represent average changes in benefits for all households in each income category, but within each category, the households that are affected by benefit reductions in different programs are not necessarily the same. In fact, in any category only a minority of households will have been affected by any one change. Therefore, the impact of benefit reductions or increases for those who receive them may be substantially greater than the averages for the entire income category would indicate. Moreover, households of different income levels vary in their eligibility for and participation in the programs examined here. These differences in the distribution of benefits will lead to differences in the average impact across income groups of changes in those programs.

Further, for the purpose of this study, federal benefits for individuals have been valued at the cost to the federal government of providing them, which may either exaggerate or understate the value of those benefits to individuals. Problems of valuation are especially likely if the assistance is provided as goods or services rather than in cash. For example, the loss to students unable to obtain loans to replace GSLs or to persons unable to obtain basic medical care without Medicaid may be greater, from the individual's point of view, than the loss of an equivalent amount in cash. On

the other hand, students who can relatively easily finance their educations without guaranteed loans, or persons who may have received nonessential medical care, might see their loss as less than the federal savings. 2/

A final caution with respect to the findings is that the analysis does not include any assumed macroeconomic impact of the tax and benefit changes enacted since the beginning of 1981. If the program changes taken together should significantly raise the rate of economic growth and reduce unemployment, for example, they would provide higher incomes that would offset reductions in benefits.

DISTRIBUTION OF TOTAL OUTLAY CHANGES RESULTING FROM LEGISLATIVE CHANGES IN PROGRAMS PROVIDING BENEFITS TO INDIVIDUALS

To examine the impact of changes in federal benefit programs, the resulting reductions and increases in outlays have been distributed over five categories of households based on the amount of cash they received from all sources--including, for example, earnings, AFDC, and Social Security benefits. Although in-kind benefits have been excluded from the categorization process, changes in both cash and in-kind benefits are shown on the tables. There are two major reasons for this approach. First, benefits

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2. This point is discussed in more detail, and alternative methods of valuing in-kind benefits are proposed, in Timothy Smeeding, Alternative Methods for Valuing Selected In-Kind Transfer Benefits and Measuring Their Impact on Poverty, U.S. Bureau of the Census, Technical Paper no. 50, Washington, D.C. (1982).

provided in-kind by those other than the federal government--for example, employer-provided fringe benefits--cannot be included, and the inclusion of such benefits only when they are federally provided would be inconsistent. Second, there is no universally agreed on way to measure in-kind benefits. To maintain a roughly constant composition of households in the categories over time, the brackets used have been defined in constant 1982 dollars.

All outlay changes resulting from legislative actions affecting cash benefit programs have been included in this analysis, as have changes in in-kind benefit programs that directly affect recipients throughout the United States. Certain changes affecting in-kind benefit programs have been excluded, however. For example, much of the savings in Medicare results from changes in the way hospitals are reimbursed for the care they provide to that program's beneficiaries, rather than from direct changes in benefits. Since it is not known what effect, if any, these hospital reimbursement changes will have on beneficiaries, savings resulting from those changes were not allocated to households. A portion of the reduction in Medicaid has also been excluded, because it results from changes in the treatment of states under the program, which cannot be said to affect individuals directly. Similarly, the portion of savings in the Food Stamp program that results from providing aid to Puerto Rico through a block grant (see Section III) has not been distributed across these income categories, because the

households affected by this change are all in Puerto Rico. Puerto Rico is not represented in the Census Bureau's Current Population Survey (CPS), which serves as the basis for the distributional estimates--the CPS includes only households in the 50 states and the District of Columbia. Thus, savings from the block grant, which would not affect families and individuals in the United States proper, were not distributed across these households. Table 10 summarizes total changes in outlays and the proportion of the changes allocated for each program included in this section of the analysis.

Overall, the total legislative changes in benefits that directly affect the incomes of individuals and families resulted in reductions of about $65 billion in projected outlays for the 1982-1985 period, or about 60 percent of the total reductions in human resources outlays considered in this memorandum. 3/ The pattern of the reductions varies markedly from year to year, however, as Table 11 shows. In particular, reductions in cash benefits in 1982 and 1983 are much lower than those projected for 1984 and 1985. This difference results primarily from the phasing in of changes during 1982, and also from the large increase in Unemployment Insurance benefits enacted for 1983 under the Federal Supplemental Compensation program. As a result of this increase, UI outlays in 1983 are estimated to be

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3. As noted earlier, although because of data limitations this memorandum does not consider every human resource program, the programs included represent 96 percent of projected outlays for human resources in 1983.

TABLE 10. LEGISLATIVE CHANGES IN BENEFITS FOR INDIVIDUALS--TOTAL CHANGES IN OUTLAYS, FISCAL YEARS 1982-1985, AND PERCENTAGE ALLOCATED TO HOUSEHOLDS

Programs	Total Change 1982-1985 (In billions of dollars)	Percentage Allocated to Households
	Cash Benefits	
Social Security	-23.5	100
Railroad Retirement	-0.6	100
Civil Service Retirement	-2.5	100
Veterans' Compensation	-0.3	100
Veterans' Pensions	-0.3	100
SSI	+1.4	100
Unemployment Insurance	-7.8	100
AFDC	-4.8	100
Low Income Energy Assistance	-0.7	100
	In-Kind Benefits	
Food Stamps	-7.0	94
Child Nutrition	-5.2	100
GSLs	-3.8	100
Student Financial Assistance	-2.1	100
Medicare	-13.2	31
Medicaid	-3.9	69
Housing Assistance	-1.8	100

SOURCE: Congressional Budget Office.

TABLE 11. TOTAL REDUCTIONS IN OUTLAYS FOR BENEFIT PAYMENTS FOR INDIVIDUALS RESULTING FROM LEGISLATIVE CHANGES ENACTED SINCE JANUARY 1981, BY HOUSEHOLD INCOME CATEGORY, FISCAL YEARS 1982-1985

Fiscal Years	Total Savings (In millions of current dollars)	Percent of Total Spending Reductions by Income Group a/					
		Total (percent)	Less than $10,000	$10,000-20,000	$20,000-40,000	$40,000-80,000	$80,000 or More
			Cash Benefits				
1982	$4,320	100	40	26	23	9	2
1983	3,650	100	71	29	1	-2 b/	c/
1984	14,560	100	35	32	25	8	1
1985	16,490	100	36	34	22	7	1
			In-Kind Benefits				
1982	3,940	100	50	24	18	8	1
1983	5,390	100	40	25	22	12	1
1984	7,870	100	43	25	20	11	1
1985	9,210	100	38	27	23	13	1
			Totals				
1982	8,260	100	45	25	21	9	1
1983	9,040	100	52	27	14	6	1
1984	22,430	100	38	30	23	9	1
1985	25,700	100	37	31	23	9	1
Percent of all Households in Each Category		100	23	25	35	16	1

SOURCE: Congressional Budget Office.

NOTE: Components may not add to totals because of rounding.

a. Income groups are defined in constant 1982 dollars. Income categories are based on cash benefits, but exclude in-kind benefits.

b. Negative percentages indicate that benefits received by this income category are higher than they would have been under prior law. Higher benefits largely result from the increase in Unemployment Insurance benefits enacted for 1983.

c. Less than 0.5 percent.

about $3 billion higher under the current baseline than they would have been under the revised 1981 baseline. Since about half of all UI benefits go to households with annual incomes over $20,000, while relatively few other cash benefits are received by those in the upper half of the income distribution, this increase in UI benefits actually results in small increases in the total cash benefits going to middle- and upper-income households in 1983 relative to the amounts they would have received under prior law.

Aside from the effects of the increases in UI benefits in 1983, however, the distributional pattern of the changes is fairly consistent over time. In general, benefits for the lowest categories have been reduced the most, with about 40 percent of the total outlay savings over the four years coming from outlay reductions affecting households with cash incomes below $10,000, and about 70 percent coming from reductions affecting households with incomes below $20,000. This results in part because households in the lowest income categories are likely to receive more in benefits than are those in other categories. Thus, they are more likely to be affected by the benefit cuts. In addition, however, the means-tested benefit programs, which primarily benefit low-income households, were cut by about 8 percent overall, while the non-means-tested programs, whose beneficiaries are likely to have higher incomes on average, were reduced about 4 percent. Further, much of the savings in non-means-tested programs comes from the Medicare reductions, most of which do not directly affect individuals and are not reflected in Table 11.

DISTRIBUTION OF AVERAGE PER-HOUSEHOLD CHANGES IN FEDERAL OUTLAYS FOR BENEFITS TO INDIVIDUALS

Because the number of households in each income category varies, average changes in benefits for different income groups cannot be inferred from the totals shown in Table 11. As Table 12 shows, however, average reductions in outlays per household follow much the same pattern as do the total reductions. The average reduction in cash benefits is generally more than twice as large for households with incomes below $20,000 as for those in the other categories, and the size of the average cut generally declines with income. The one major exception to this decline is the relatively large loss in average cash benefits experienced by the $80,000 or more category in years other than 1983. These declines result largely from changes in Social Security benefits, which, with Medicare, make up the bulk of benefits received by beneficiaries with high incomes. Another cash-benefit program experiencing reductions that affected some recipients with high incomes is UI (in 1984 and 1985).

When cash and in-kind benefit cuts are considered in combination, the same pattern emerges. Those in the lowest income group lose about one-fourth more than those in any other category, and average losses generally decline as income increases. In-kind benefit cuts affecting some recipients with high incomes include those under the child nutrition and GSL programs.

TABLE 12. AVERAGE PER HOUSEHOLD CHANGES IN OUTLAYS FOR BENEFIT PAYMENTS BY INCOME CATEGORY OF RECIPIENTS, FISCAL YEARS 1982-1985 (In current dollars)

Fiscal Years	All Households	Household Income (in 1982 dollars) Less than $10,000	$10,000-20,000	$20,000-40,000	$40,000-80,000	$80,000 or More
			Cash Benefits			
1982	-50	-90	-50	-30	-30	-90
1983	-40	-130	-50	a/	10b/	-10
1984	-160	-260	-210	-120	-80	-110
1985	-180	-290	-250	-120	-80	-120
			In-Kind Benefits			
1982	-50	-100	-40	-20	-20	-20
1983	-60	-110	-60	-40	-50	-40
1984	-90	-170	-90	-50	-60	-50
1985	-100	-170	-110	-70	-80	-50
			Totals			
1982	-100	-200	-100	-60	-50	-110
1983	-100	-240	-110	-40	-40	-50
1984	-250	-430	-300	-170	-140	-160
1985	-280	-470	-360	-180	-160	-170

SOURCE: Congressional Budget Office.

a. Average change of less than $10.

b. Positive amount indicates that households in this category received higher benefits than they would have under prior law, largely as a result of changes in UI benefits.

Table 12 should be interpreted with some caution. In particular, these figures represent the average change in federal outlays per household, which is not necessarily equivalent to the average change in the value of the benefits received. Further, these figures are averages over entire income categories, and they include many households that receive no benefits--and therefore, of course, no reductions. Households cannot lose benefits they have never received. Thus, the declining proportion of households receiving benefits in the higher-income groups at least partially explains the fall in average and total benefit reductions as income rises. Average reductions for recipient households only would generally be much larger, but such averages cannot be computed because of the lack of data on the extent to which the households participate in more than one of the programs affected.